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BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Administrator Agency For International Development

AID Recognizes Need To Improve The Foreign Economic Assistance Planning And Programming Process

The Agency for International Development's planning and programming process for foreign economic assistance includes the preparation and review of recipient country development strategies, the formulation of annual budgets, and the review and approval of project activities. AID is currently experimenting with new procedures in an effort to improve this important process.

GAO examines AID's management of the planning and programming process and discusses actions that could help to better focus country assistance programs. GAO recommends that country strategies not be submitted annually unless conditions change, necessitating revision; more effective program reviews be conducted in concert with budget formulation; and further project approval authority be granted to overseas missions on a case-by-case basis, recognizing varying mission capabilities.

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AUGUST 28, 1985

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WASHINGTON, D.C. 20548

NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

B-217738

The Honorable M. Peter McPherson
Administrator, Agency for
International Development

Dear Mr. McPherson:

This report presents the results of our review of the Agency's foreign economic assistance planning and programming process. It suggests steps AID can take to improve the way it sets country development strategies, prepares annual budgets, and reviews and approves projects.

We initiated this review to assess whether opportunities exist for the Agency to streamline and improve the planning and programming process and thereby maximize the development impact of U.S. foreign economic assistance. AID's comments on the report are in the appendix.

This report contains recommendations to you on pages 16, 25, and 32. As you know, 31 U.S.C. §720 requires the head of a federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the Agency's first request for appropriations made more that 60 days after the date of the report. We would appreciate receiving copies of your statement to the committees.

We are sending copies of the report to the Chairmen of the four above committees, interested House and Senate authorization committees, and the Director, Office of Management and Budget.

Sincerely yours,

Bill W. Thurman

for Frank C. Conahan
Director

GENERAL ACCOUNTING OFFICE
REPORT TO THE ADMINISTRATOR,
AGENCY FOR INTERNATIONAL
DEVELOPMENT

AID RECOGNIZES NEED TO IMPROVE THE FOREIGN ECONOMIC ASSISTANCE PLANNING AND PROGRAMMING PROCESS

D I G E S T

The Agency for International Development's (AID's) foreign economic assistance planning and programming process transforms the Agency's goals and objectives into development strategies, annual budgets, and project activities. In fiscal year 1984, AID's budget authority totaled $4.8 billion--$1.8 billion in development assistance appropriations, primarily to finance projects, and about $3 billion in economic support funds, primarily to finance non-project assistance.

AID uses a network of overseas missions to develop its country assistance programs. Following designated funding levels, these missions (1) develop country strategy statements, (2) formulate annual budget submissions, and (3) identify and design new project activities. AID/Washington offices and regional bureaus retain extensive review and approval authority over these activities.

Although AID has studied and improved the planning and programming process, a 1983 Agency task force concluded that AID devotes too much time and effort to identifying, designing and reviewing projects and not enough to policy, strategy, and program supervision. AID's management generally agreed with the task force results. However, before implementing corrective action, the AID Administrator proposed an experiment to test new procedures. The task force findings and conclusions are being tested by the Asia Bureau, and AID plans to apply the successful components of the Asia Bureau experiment to the other regional bureaus. In commenting on a draft of this report, AID stated that it has already adopted many of the revisions suggested by the Asia experiment.

GAO made this review to assess the actions AID has taken to improve and streamline its foreign economic assistance planning and programming process. Further, since the 1981 and 1983 AID task forces had done most of their work in Washington, GAO visited seven missions to verify the problems identified.

COUNTRY STRATEGY SETTING AND REVIEW PROCESS

Preparing and reviewing the country development strategy statement--AID's basic planning document--is a logical and effective approach. AID uses approved strategies to evaluate annual mission budgets and project proposals. Officials in the seven missions visited stated that the strategy setting process is a useful programming tool. (See p. 8.)

Most missions submit country development strategy statements annually despite the AID Administrator's 1981 approval of the task force recommendation to allow a strategy to remain in effect up to 4 years unless circumstances warranted a new strategy. Six of the missions GAO visited in the Africa, Asia, and Latin America and Caribbean regions were either required by AID/Washington to submit strategy statements annually for fiscal years 1983-1986 or felt the necessity to do so.

Preparation of strategy statements had become virtually an annual process that included routine information reporting. AID officials also noted that strategy submissions had become one way for a new mission director to be more closely identified with the country program. (See p. 9.)

AID Circular A-384 states that strategy approval should be completed before annual budgets are submitted. GAO found that less than half of the 20 full strategy statements reviewed in three bureaus for fiscal year 1985 resulted in approved strategies before annual budgets were due. Strategies were not approved because AID/Washington wanted additional information or the entire document revised, or missions had not adequately adhered to comprehensive strategy guidance. (See pp. 11 and 12.)

For example, the Dominican Republic mission has operated since January 1979 without an approved strategy. Its fiscal year 1985 strategy was not approved because AID/Washington believed it did not adequately justify the proposed development assistance program. Without an approved strategy, AID cannot be certain that a project proposal will be consistent with the country strategy when

and if that strategy is approved. (See pp. 12 and 13.)

Missions must prepare strategy documents using annually issued worldwide, regional, and country-specific guidance and numerous policy and discussion papers. AID officials believe that strategy statements should identify specific goals and objectives, program options, and measurable benchmarks, while missions view the statements as general long-range planning documents allowing enough flexibility for changing country conditions. (See pp. 13 and 14.)

RECOMMENDATION

To reduce the time and effort devoted to the strategy setting and approval process, GAO recommends that the AID Administrator implement the approved task force recommendation that country development strategy statements remain in effect for up to 4 years unless changing conditions necessitate a new strategy. (See p. 16.)

ROLE OF ANNUAL BUDGET SUBMISSION PROCESS IN PLANNING AND PROGRAMMING

Annual budget submissions are prepared to request and justify funding for mission programs and to assess whether proposed projects are consistent with approved country strategies. Missions prepare and submit annual budgets to AID/Washington for ongoing projects and new proposals. The budgets are combined into an AID budget which is integrated into the overall foreign assistance budget. (See p. 17.)

GAO found that the annual budget process is primarily a financial exercise to ensure that budget requests match established funding levels. AID guidance to missions for preparing the fiscal year 1986 budget requested that primarily statistical information be submitted to satisfy the Office of Management and Budget requirements and to ensure that congressional budget targets are met. AID's review is constrained due to limited flexibility in adjusting mission proposals. For example, AID budget guidance advises missions not to submit project proposals that exceed the budget. Therefore, AID officials are reluctant to reject or modify proposals because such

Tear Sheet

actions could affect the country's assistance level. Missions do not generally submit alternative project proposals for the budget review even when they are expanding their activities. (See pp. 17 through 19.)

AID said that the budget process generally does not stress programming decisions; these decisions are emphasized later in the project cycle. Project proposals presented in the budget documents are generally too brief to allow a comprehensive programming decision. Moreover, budget review results are not always communicated promptly to the missions, making it difficult for them to address AID/Washington concerns before they submit project identification documents. (See pp. 20 through 22.)

AID has recognized the need to strengthen the programming review process and is considering modifications. For example, the Asia Bureau is experimenting with an annual program week between the strategy and annual budget submission reviews to assess mission work plans and progress of ongoing activities and to discuss proposed new projects. Other bureaus agree that a more thorough review is needed before AID's budget is submitted to the Congress. (See pp. 22 through 24.)

RECOMMENDATIONS

GAO concurs with AID's recent efforts to improve its programming review during the budget process and recommends that the AID Administrator (1) encourage missions to submit alternative project proposals, particularly when missions are expanding activities or proposing sensitive projects, to permit AID/Washington flexibility in making programming decisions, (2) request that missions provide sufficient information on new project proposals to enable AID to assess their consistency with approved strategies, and (3) ensure that budgeting review results are promptly communicated to missions for guidance and use in subsequent project design and development. (See p. 25.)

PROJECT REVIEW AND APPROVAL CYCLE

The cycle consists of preparing, reviewing, and approving (1) the project identification document, which presents a project's concept,

and (2) the project paper, which presents a detailed design and implementation plan. AID/Washington reviews and approves all project identification documents, but selected missions have the authority to approve project papers for projects up to $20 million. (See p. 28.)

The 1983 task force reported that AID/Washington project identification document reviews rarely raised new issues and documents contained details more appropriate for the project paper. The task force concluded that existing review and approval guidelines were adequate and should be enforced. It stated that project identification documents should contain only information pertaining to feasibility and be restricted to 15 pages and that reviews should be limited to conceptual topics without analyzing technical feasibility. The task force urged that selected missions be given authority to approve some project identification documents. According to the task force, these procedural changes would expedite the project review and approval process and result in simpler, easier to implement projects. AID's management agreed with the task force and is experimenting with the procedural changes in selected Asia Bureau missions. (See pp. 29 through 31.)

Some missions do not have staff resources and the technical expertise to review and approve project identification documents. The African and Latin American missions were reluctant to accept such authority because they believed that AID/Washington could more effectively consider overall Agency policy implications and congressional interests. (See p. 31.)

RECOMMENDATION

GAO supports AID efforts to further improve and streamline the project review and approval process. It recommends that the AID Administrator extend the successful project review components of the Asia Bureau experiment to other regional bureaus and missions on a case-by-case basis, recognizing the varying capabilities of field missions to exercise increased project approval authority. (See p. 32.)

Tear Sheet

AGENCY COMMENTS

AID agrees with GAO's conclusions and recommendations and notes that it was extensively reviewing its programming system at the time of GAO's review. Based on its own review, AID has redesigned the planning and programming system and believes it now closely parallels GAO's recommendations. AID states that it is now implementing new procedures.

In commenting on this report, AID disagreed that missions are not routinely informed of budget decisions and that the budget review process does not result in deleted or modified project proposals. However, GAO found that all missions are not informed of budget decisions and that many factors, such as time constraints and insufficient information, inhibit a systematic review of the budget.

While adoption of new procedures addressing identified problem areas is an important step in improving AID's programming system, GAO notes there were similar programming recommendations made in 1981 by an Agency task force and approved by the Administrator which were never fully implemented. Therefore, although establishing new procedures and issuing new guidance are important steps, AID needs to now pursue full implementation of its new process.

AID's detailed comments are in appendix I. GAO considered these comments and revised the report as appropriate.

Contents

		Page
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	Planning and programming process	1
	Efforts to reduce time and resources spent on planning and programming	5
	Objectives, scope, and methodology	6
2	THE COUNTRY STRATEGY SETTING AND REVIEW PROCESS	8
	Multi-year strategy statements prepared annually	9
	Strategies not always approved before budgets submitted	11
	Lack of consensus regarding CDSS content contributes to review problems	13
	Conclusions	15
	Recommendation	16
	Agency comments and our evaluation	16
3	ROLE OF ANNUAL BUDGET SUBMISSION PROCESS IN PLANNING AND PROGRAMMING	17
	ABS emphasizes budget issues	17
	Predetermined budget levels and lack of time and project detail limit program review	21
	Asia Bureau experiments with improving program review	22
	Conclusions	25
	Recommendations	25
	Agency comments and our evaluation	26
4	PROJECT REVIEW AND APPROVAL CYCLE	28
	Response to project cycle problems	28
	GAO confirms task force conclusions	29
	Asia Bureau experiments with project cycle improvements	31
	Conclusions	31
	Recommendation	32
	Agency comments and our evaluation	32
APPENDIX I	Agency comments	33

ABBREVIATIONS

ABS	Annual Budget Submission
AID	Agency for International Development
CDSS	Country Development Strategy Statement
GAO	General Accounting Office
PID	Project Identification Document

CHAPTER 1

INTRODUCTION

The Agency for International Development (AID) is responsible for administering the United States foreign economic assistance program. AID's foreign economic assistance planning and programming process translates goals and objectives into country development strategies, annual budgets, and project activities. AID manages specific project activities in areas such as agriculture, energy, health, and family planning and promotes economic and political stability in recipient countries. Using a decentralized organizational structure, consisting of an extensive network of overseas missions, AID builds its annual program and budget from the country level upward. Following designated funding levels, missions (1) develop country strategy statements, (2) formulate annual budget submissions, and (3) identify and design new project activities. AID/Washington retains extensive review and approval authority over these activities.

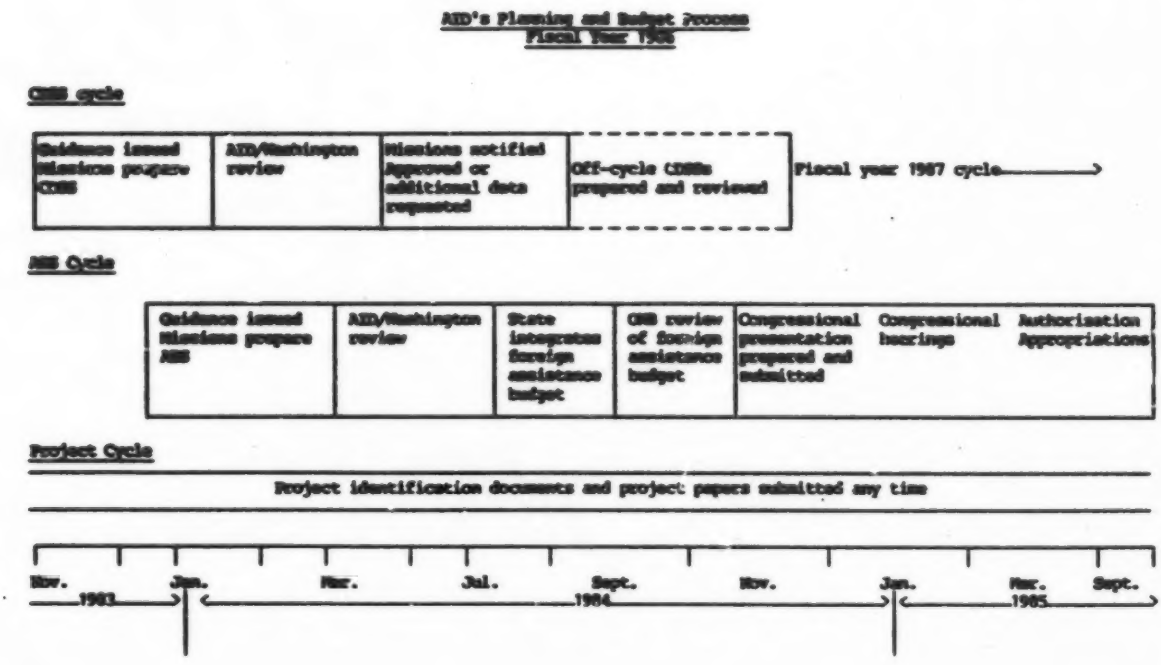
In fiscal year 1984, AID planned and programmed a $4.8 billion economic assistance program providing aid to 69 countries. Approximately $1.8 billion was funded through Development Assistance appropriations, primarily for specific projects, and about $3 billion through the Economic Support Fund, primarily for non-project assistance such as commodity import programs and balance of payments. With the funds from the Department of Agriculture, AID administers the Food for Peace Program (commonly known as Public Law 480), which in fiscal year 1984 provided $1.4 billion in food commodities to the developing world. In 1983 the President's Private Sector Survey on Cost Control estimated that AID's approximately 5,300 employees use almost 700 staff years annually for planning, approving, and monitoring project activities. We did not verify this staff year estimate. Similar data was not available from AID.

PLANNING AND PROGRAMMING PROCESS

Financial management in the federal government encompasses all or part of the processes and functions of (1) planning and programming, (2) budgeting, (3) budget execution and accounting, and (4) audit and evaluation. The planning and programming phase is the process of establishing objectives and laying out the program that will achieve the objectives over time. Budgeting determines the level of resources needed to reach those objectives. Budget execution and accounting consists of working the plan, directing activity toward results, and monitoring compliance. Auditing confirms the accuracy and reliability of financial information; and evaluation provides information about the efficiency and effectiveness of operations and programs.

This report focuses on AID's planning and programming process, as outlined in its handbooks, circulars, and annual

guidance statements. Planning and programming for foreign economic assistance consists of three separate but interrelated steps that form a continuum of management activities designed to devise country assistance strategies to overcome developmental constraints, formulate annual budgets that request program funding, and design and approve specific project activities that implement the approved strategies. These steps are intended to be performed sequentially on the premise that an agreed strategy is necessary before budgets can be prepared or projects designed. Specifically, AID/Washington and missions implement these management activities by (1) preparing and approving Country Development Strategy Statements (CDSSs), (2) formulating and reviewing Annual Budget Submissions (ABSs), and (3) developing, reviewing, and approving project identification documents and project papers. The following chart provides an overview of AID's process.



Country Development Strategy Statements

The CDSS planning document, introduced in 1978 by AID Circular A-384, was designed as the basic analytical strategy and planning document used by AID in providing foreign economic assistance to individual countries. The CDSS (1) provides missions with the conceptual framework for developing programs, projects, and budgets, (2) serves as the basic reference document used by AID/Washington for overall country program reviews,

(3) provides the major reference point for AID/ Washington project reviewers, and (4) sets forth what AID expects to achieve in a country and how it intends to do it. Thus, the CDSS is the standard against which program results can be measured.

According to Circular A-384, a basic premise of the planning and programming process is that AID must have an acceptable and current strategy of assistance for each country before budgets are submitted or projects approved. CDSSs covering up to 5-year planning periods are prepared by missions and reviewed and approved by the responsible regional bureaus. New or revised CDSSs are submitted by January 31 and reviewed and approved by March 31. The approved CDSSs are used by the missions as a guide for budget preparation and final project selection.

Annual Budget Submissions

AID uses the ABS to determine and justify its annual funding needs. The ABS process consists of AID's internal budget development and input into the President's Budget and the annual Congressional Presentation for authorizations and appropriations. An ABS is prepared annually for each country receiving foreign economic assistance. The ABS presents a program and budget to carry out the strategy and objectives agreed upon in the CDSS. The ABS process also plays a key role in AID's programming process by linking country strategies with a mission's portfolio which implements the strategies.

In preparing ABSs, missions follow pre-established funding levels and workforce limitations. The programs and budgets proposed in ABSs must conform to approved assistance planning levels which set long-range annual resource levels. Those planning levels are established by AID in consultation with the State Department and take into consideration U.S. national security interests as well as the developmental needs of recipient countries.

The ABS requests funding for ongoing projects and new proposals for the coming budget year. The totals requested must not exceed the previously established funding level.

Missions submit their ABSs to AID/Washington by the end of May. The regional bureaus review and consolidate this data and an AID ABS is prepared which is integrated into the State Department's overall foreign assistance budget. This overall budget is submitted in September to the Office of Management and Budget for review and approval. The foreign assistance budget is subsequently incorporated into the President's Budget and AID's Congressional Presentation, which is submitted to Congress in January or February.

The project cycle

Before a mission can implement a project, the concept and design must first be approved. Project approval is attained through the project cycle, which begins with initial project identification and ends with final approval. Either AID/Washington or field missions can approve activities, depending on the project's cost. Although projects should be consistent with an approved CDSS and incorporated into an ABS to receive funding, the project cycle operates separately, allowing proposals to be submitted and approved any time during the year. However, since the planning for programs and projects takes place well in advance of the actual obligations of funds, some activities do not go forward as planned, new ones are added, and some undergo substantial changes before agreements are reached with recipient countries. In each case, AID is required to notify the appropriate congressional committees at least 15 days before changes are effected. The project cycle is outlined below.

1. Missions initiate the cycle by preparing the project identification document, which briefly presents the project concept, assesses its impact, proposes an implementation plan, and anticipates design and implementation issues.

2. At AID/Washington, the document is reviewed by a committee which includes representatives from the responsible regional bureau and bureaus concerned with policy coordination and management services. If the committee approves the project idea, the mission is informed of the decision and of any issues that must be addressed in the project paper.

3. The project paper is prepared, presenting the detailed design and implementation plan. Although this paper is usually prepared by the mission staff, a design team is often assembled using specialized consultants and AID/Washington technical experts.

4. The project paper is reviewed and approved by the mission or AID/Washington, depending on the mission's delegated approval authority (maximum approval authority for a mission is $20 million).

5. The project authorization is signed and the field mission prepares and negotiates the project agreement with the host government.

EFFORTS TO REDUCE TIME AND RESOURCES SPENT ON PLANNING AND PROGRAMMING

As part of an overall effort to improve program management, AID has been studying the planning and programming process. In 1981 and 1983, the AID Administrator charged two separate Agency task forces with finding ways to reduce the management resources devoted to planning and programming, while at the same time reducing the time span between identification of a developmental constraint and implementation of a project activity. In addition, the Asia Bureau is presently experimenting with the findings and conclusions of the 1983 task force in order to develop a more effective headquarters/field relationship. This effort has been directed toward streamlining and improving planning and programming by decentralizing administrative, financial, and planning tasks and delegating greater authority to field missions. Specifically, the experiment focuses on the strategy setting process and the project review and approval cycle.

In an attempt to shorten the time between AID identification of a problem area and the implementation of a development project, the AID Administrator formed an Agency task force to review the programming process. In September 1981, the Task Force on AID's Programming Process proposed several recommendations for reducing the time and resources devoted to the programming process while expediting the impact of development activities. The AID Administrator approved recommendations for

--allowing approved CDSSs to remain in effect for up to 4 years;

--delegating, on a selected basis, project approval authority, up to $20 million; and

--extending initial project life up to 10 years.

As a follow-on to the programming task force, the AID Administrator in 1983 formed a new task force to find ways of improving implementation of AID projects. In October 1983, the AID Project Implementation Task Force reported to the AID Administrator that implementation problems could be traced back to project design and AID/Washington's review process. The task force also reported that too much time and effort was devoted to identifying, designing, and reviewing projects and not enough to policy, strategy, and program supervision. It concluded that AID/Washington should intervene more intensively during the policy and strategy stage of the process and delegate greater project development responsibilities to the field.

AID's management generally agreed with the task force's findings and conclusions. However, before implementing corrective action, the AID Administrator proposed an experiment to

test new planning and programming procedures. Accordingly, the Asia Bureau Experiment was initiated in November 1983, with a goal of "establishing a more dynamic and managerially effective relationship with the field." The experiment is based on the conclusions of the Project Implementation Task Force and consists of (1) revising the CDSS process to be less frequent, more thorough, and more functional, (2) making the ABS less cumbersome by adding an annual program review to the programming process, and (3) streamlining the project review cycle by reducing headquarters involvement without sacrificing sound project design. As part of the experiment, the Asia Bureau is also devising a system for assessing overall mission performance. According to Asia Bureau officials, an additional goal of the experiment is to effect major shifts of resources, particularly personnel, from AID/Washington to the field. At the time of our review the Asia Experiment was not complete. AID officials told us that the successful components of the experiment will be extended to the other regional bureaus.

We recognize that AID is studying and experimenting with improvements in the planning and programming process. Where our work and findings are corroborative, we direct our conclusions and recommendations to specific actions AID should consider in addressing planning and programming issues.

OBJECTIVES, SCOPE, AND METHODOLOGY

We reviewed the foreign economic assistance planning and programming process because prior AID reports and AID-funded studies had assessed the process as labor-intensive, time-consuming, and in need of improvement. The President's Private Sector Survey on Cost Control described the process as sluggish and cumbersome. Consequently, our review was made to assess the actions AID had taken to improve and streamline the planning and programming process. Since AID's previous work had been done mainly in Washington, we obtained the field perspective by visiting selected missions to confirm and document the problems identified by AID/Washington.

Although this report primarily addresses planning and programming, and to a lesser degree, the budgeting phase of the management cycle, the interrelated and recurring nature of other components in the cycle are recognized in continuing efforts. For example, past and planned work in the development assistance area includes management cycle components that address program results, compliance with controls to avoid misuse of AID funds, accounting and management controls of recipient countries, and reviews of agency auditing and evaluation functions. Focusing on planning and programming, we reviewed how AID

--establishes, reviews and approves country development strategy statements;

--formulates Annual Budget Submissions, and how effectively it links country strategy with project and program activity; and

--reviews and approves new project proposals in support of strategy statements.

We reviewed how AID plans and programs its development activities in three of its four regional bureaus--Africa, Asia, and Latin America and the Caribbean. This report focuses on project aid because the majority of AID's planning and programming resources are devoted to project activities. We did not review the Near East Bureau's planning and programming process because of its large percentage of non-project activities and because of other ongoing programming audit work in Egypt.

The work was performed at AID headquarters in Washington, D.C., and in Bangladesh, the Dominican Republic, Indonesia, Kenya, Liberia, Peru, and Rwanda. These countries were chosen to provide a balanced mix of mission and program sizes, funding types, and program composition. Incountry work was performed in April, May, and June 1984, and work in Washington was completed in August 1984.

We examined policies and procedures for planning and programming foreign assistance activities. We also reviewed the CDSS, ABS, and project development and review processes in the seven countries and attended CDSS, ABS, and project review sessions at AID headquarters. In the three regional bureaus, we identified the extent to which existing development country strategies had been approved.

The review was conducted in accordance with generally accepted government auditing standards.

CHAPTER 2

THE COUNTRY STRATEGY

SETTING AND REVIEW PROCESS

The AID missions we visited are using the CDSS in preparing their assistance strategies and in selecting and developing project activities. The missions believe the strategy setting process is useful but question the need to annually prepare new or updated statements. Although the strategy planning process was originally designed to cover up to a 5-year period, most missions submit either full or updated[1] documents yearly. The CDSS had become an annual exercise even though in 1981 the AID Administrator approved an Agency task force recommendation allowing strategies to remain in effect for up to 4 years.

Annually preparing and reviewing the CDSS involves considerable staff resources at both headquarters and missions. Less frequent CDSS submissions would allow AID/Washington to more thoroughly review the strategies submitted and allow the missions to shift resources to other aspects of the management cycle, i.e., project implementation.

CDSS reviews do not always result in strategy approvals prior to annual budgets being prepared and submitted by the missions, as called for in AID guidance. Approvals are often deferred and additional information or strategy revisions requested. AID's Circular A-384 states that CDSSs must be approved before annual budgets are submitted to ensure that budgets and project proposals are consistent with country strategies. After review, less than half of fiscal year 1985 CDSSs were approved before the annual budgets were submitted. Differences between AID/Washington and missions about the purpose and content of CDSSs and the extensive and all-encompassing strategy guidance inhibit strategy approvals before budgets are submitted.

AID officials in the missions we visited told us that the CDSS is a useful programming tool because it (1) forces missions to focus periodically on the direction that U.S. foreign assistance is taking, (2) educates and informs mission staffs about recipient country development problems and AID responses, (3) identifies sectors for resource concentration and project activity, and (4) serves as a basis for dialogue with headquarters, recipient governments, U.S. embassies, and other donors.

The CDSS, by identifying those sectors where AID intends to concentrate its resources, provides missions with the parameters

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[1]Regional bureaus refer to other than full CDSS submissions by many names, including updates, revisions, and supplements. This report uses updates for all documents other than full CDSS submissions.

of the U.S. foreign assistance program which is used in selecting and developing new project ideas. Mission officials stated that the CDSS is used not only as a guide for new projects but also as a means of prioritizing proposals.

MULTI-YEAR STRATEGY STATEMENTS PREPARED ANNUALLY

Although the CDSS was designed as a long-range planning instrument, it has essentially become an annual exercise, with most missions preparing full or updated statements every year. According to officials in the Africa, Asia, and Latin America and Caribbean bureaus, most missions are either required or feel the necessity to submit full or updated CDSSs every year; six of the seven missions we visited were required to submit strategy statements for fiscal years 1983-86[2]; Peru did not submit one for fiscal year 1984.

CDSSs are prepared and reviewed annually, despite the 1981 AID Task Force on Programming's conclusion that "An immense amount of mission and AID Washington senior staff time is invested annually in the CDSS process as it is presently structured." The task force further stated that rewriting the document and reviewing it every year is not an effective use of scarce management time, since strategies change little from year to year. Accordingly, the AID Administrator approved the task force recommendation that, after initial acceptance, CDSSs remain in effect for up to 4 years or until changes in country conditions necessitate revision.

AID officials in all seven missions we visited agreed that annual submissions were not necessary and that once a strategy was approved it should remain in effect for more than one year or until conditions necessitated a change. They stated that their strategies do not change significantly from year to year. For example, AID/Washington asked the Kenya mission to submit four consecutive strategy statements, from January 1979 to January 1982. The mission's strategy of (1) increasing small holder income and agriculture production, (2) reducing population growth, and (3) planning for basic social services remained the same in all four documents. AID/Washington officials told us that the CDSS has become an annual process because its purpose has expanded beyond strategy setting and approval to include the broader objective of routine information reporting. These officials noted that when a new mission director is appointed, he or she usually volunteers to submit a new CDSS in order to be more closely identified with the country program.

As part of the Asia Experiment, CDSSs will be submitted every 3 years and annual updates generally will not be

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[2]CDSSs are submitted and reviewed 2 years before the start of the planning period.

required. However, missions and AID/Washington will have the option of providing or requesting new CDSSs at any time if justified by political or economic circumstances. Asia Bureau officials told us that reducing the annual requirement will allow the Bureau to more thoroughly analyze the statements that are submitted. In addition, mission officials will have more time to implement and monitor project activity.

Most missions were unable to measure or quantify the time and resources devoted to preparing the CDSS. However, officials in the seven missions stated that they invest considerable resources in preparing new or updated documents. The Liberia and Dominican Republic missions were able to measure the cost of preparing recent CDSS submissions.

For its fiscal year 1985 CDSS, the Liberia mission had nine analyses or studies made by outside consultants and AID staff, which, combined with mission staff time, consumed nearly 5 staff years. The mission director also noted that preparing the CDSS was one of the mission's principal activities for over 6 months prior to its submission, distracting management attention from project design, implementation, monitoring, and evaluation. Despite the extensive analyses, AID/Washington did not approve the CDSS, and two additional supplements were required. The reviewers deferred approval because they believed the CDSS did not adequately assess the government of Liberia's commitment to economic policy reform or present an active enough strategy for the private sector. In addition, 6 months after the CDSS and the supplements were approved, an update was required. The mission director stated that the studies and analyses were for the benefit of AID/Washington and did not materially change the strategy.

Dominican Republic mission officials identified 10 studies used in preparing the fiscal year 1986 CDSS, costing an estimated $1.3 million. AID/Washington did not approve the strategy document and requested more detailed information. In April 1984 the mission submitted additional information and in July 1984 its strategy through fiscal year 1986 was approved.

The AID 1981 Task Force on Programming stated that a considerable amount of AID/Washington time is invested in annually reviewing CDSSs. AID/Washington conducts a 2-step CDSS review. The CDSS reviews, conducted during February and March consist of an initial staff meeting to identify relevant issues and an executive or Agency-wide meeting at which the CDSSs are accepted or additional information is requested from the missions. Although senior management participation varies by bureau, Assistant or Deputy Assistant Administrators usually chair the executive meetings, which may also be attended by other agency representatives, such as the Department of State and the Office of Management and Budget. Mission directors usually attend the Agency-wide meeting and defend the proposed strategy.

Typical meetings last 3 to 4 hours and involve 25 to 40 participants. We attended five fiscal year 1986 CDSS review meetings in the Africa, Asia, and Latin America and Caribbean bureaus. The AID/Washington review requirement for the three bureaus for fiscal years 1984-86 averaged 50 annual submissions, resulting in about 100 review meetings a year concentrated during the 2-month timeframe. Reviewing officials also told us that reading and analyzing documents before the meetings and drafting messages to the missions transmitting results is very time consuming.

According to the 1981 task force, the management burden of this staff-intensive process is greatest on the Africa Bureau. In a proposal to reduce the burden by spreading CDSS reviews throughout the year, a former Africa Bureau Assistant Administrator stated that the need to review 30 to 40 full or updated CDSSs in 60 to 80 meetings within a 2-month time span places excessive and unrealistic demands upon the bureau's staff. Africa Bureau and Program and Policy Coordination Bureau CDSS reviewers told us that this workload can affect the quality and thoroughness of the review and the extent of followup on unresolved issues. Reviews occasionally are held at other times during the year, but the majority still take place during February and March.

STRATEGIES NOT ALWAYS APPROVED BEFORE BUDGETS SUBMITTED

AID/Washington regional bureaus are responsible for reviewing and approving CDSSs before missions submit their annual budgets. Even with the time and effort invested annually in the CDSS process, reviews do not always result in timely, approved strategies. Since AID's programming process is based on AID/Washington reviewing annual budgets and project proposals against approved strategies, when timely approval is not obtained, annual budgets and projects must be reviewed without the benefits of valid CDSSs. In some cases, when agreement cannot be reached, missions may operate several years without approved CDSSs.

According to AID guidance, a basic premise of the planning and programming process is that each mission must have its CDSS approved by AID before its budget is prepared or projects developed. Generally a CDSS is considered approved when all important issues have been resolved and there is basic agreement between AID/Washington and the mission on the direction that U.S. foreign assistance should be taking. Strategy statements are submitted by January 31, 4 months before the ABS, and reviews should be completed and approval sent to the field by March 31. Missions not receiving CDSS approval are required to submit additional information later in the year or to prepare revised documents the next year. Although AID Circular A-384 states that strategy would rarely be found unacceptable, we found that strategy statements frequently were not approved

before annual budgets were submitted. Our analysis below of the fiscal year 1985 full CDSS reviews conducted by the Africa, Asia, and Latin America and Caribbean bureaus shows that less than half the strategies were fully approved before ABSs were due. Although some CDSSs were not approved because of fundamental strategy disagreements, delays in approval often resulted from AID/Washington and mission differences over the appropriate level of detail to be included in the strategy statements. The next section discusses this issue.

Number of Strategy Statements

	Number of full CDSSs submitted	Approved before ABS review	Approved during or after ABS review	Revised CDSSs required 1986
Africa[a]	10	3	3	4
Asia[a]	9	7	0	2
Latin America[a] and Caribbean	7	1	2	4
Total[b]	26	11	5	10

[a]Does not include regional programs, i.e., South Pacific and Southern Africa.

[b]Does not include updates.

Some missions have operated for several years without AID/ Washington approval. For example, the Dominican Republic operated from January 1979 to July 1984 without an approved CDSS. Its fiscal year 1985 CDSS was not approved because it did not provide adequate justification for the proposed development assistance program. Among other concerns, the AID/ Washington review held in March 1983 concluded that the CDSS did not provide an adequate basis for the program levels scheduled for the agriculture sector. Nevertheless, two project identification documents were approved for activities in the agriculture sector after the fiscal year 1985 CDSS was disapproved, and these projects are now being implemented. The mission director stated that although the CDSS was not approved, many portions of the strategy presented in the document were and are valid and that the projects approved did fit portions judged acceptable. Without an approved country strategy, AID/Washington does not have the framework to ensure that the mission's project proposals will use available resources most effectively.

In October 1983, the Latin America and Caribbean Bureau placed a moratorium on new project proposals until the mission responded to the Bureau's review concerns. In the AID/

Washington March 1984 review of the fiscal year 1985 CDSS revision, the strategy was not approved because it lacked detail and measurable benchmarks. In April 1984, the mission provided an addendum to the CDSS which was subsequently approved in July 1984. A new CDSS presenting the mission's proposed strategy for the 5-year period beginning in fiscal year 1987 has been requested for submission in 1985.

The Zaire Mission has not had an approved CDSS since its fiscal year 1983 strategy was accepted in 1981. Three consecutive CDSSs have been disapproved, including the fiscal year 1986 strategy which was reviewed in February 1984. In disapproving the documents, headquarters told the mission that the strategies did not sufficiently describe and analyze Zaire's principal macroeconomic constraints or adequately define strategy goals or target groups. However, an Africa Bureau official told us that there is basic agreement between headquarters and the mission on an appropriate strategy and that the lack of approval is the result of poor presentation and format problems. A revised version of the fiscal year 1986 CDSS was approved in September 1984, according to an AID/Washington official, even though the Bureau was still not satisfied with the document. Accordingly, the mission is required to submit a fiscal year 1987 CDSS update to address unresolved issues. Despite the lack of an approved strategy, the mission has had five new project proposals approved from January 1982 to February 1984.

LACK OF CONSENSUS REGARDING CDSS CONTENT CONTRIBUTES TO REVIEW PROBLEMS

A lack of consensus over what should go in the CDSS and the all-encompassing nature of strategy guidance make it difficult for missions to develop strategy statements acceptable to headquarters reviewers. The differences over what should go in the CDSS and the perceived need to address all topics in the guidance often result in missions submitting documents that do not meet review expectations, causing AID/Washington to either request additional information or require missions to revise strategy statements. Clearer and simpler guidance would facilitate timely approval and allow AID/Washington to better choose among mission proposals and to measure progress toward goals.

Disagreement on CDSS content

Mission officials believe that strategy statements should be written in relatively general terms, allowing sufficient flexibility to respond to changing country conditions. Providing AID headquarters with detailed information and benchmarks for future planning years would tend to lock the mission into a course of action not susceptible to future change. The mission officials believe that detailed information on how they will implement the strategy should be contained either in the ABS or the Project Identification Document.

AID/Washington CDSS reviewers, on the other hand, believe that a CDSS should present not only where the mission's economic assistance program is going but also how it is going to get there. During review sessions, missions are frequently asked to specifically identify development goals and objectives, program interventions, and measurable benchmarks. Headquarters officials told us that greater detail in strategy documents is necessary to measure program progress as well as to hold missions accountable for established benchmarks. Both AID/Washington and mission officials stated that disagreement over the degree of specificity and the level of detail required in the CDSS is a major cause for strategy statements not being approved on a timely basis. Typically, according to one reviewer, the review session will conclude that more information is required from the mission before approval can be granted. Thus, a request is sent to the mission and revisions are made or supplements added. These changes are subsequently reviewed and approval is usually granted as part of the budget review or later in the year.

Guidance too all-encompassing

AID/Washington officials stated that the number of issues included in the CDSS guidance and its limits on document length makes it difficult for missions to produce a document that adequately addresses all the major concerns of a wide and varied review group. CDSS instructions for fiscal year 1986 limited submissions to no more than 70 double-spaced pages, with no appendices.

According to several field officials, missions are often overwhelmed by the guidance for preparing CDSSs. Missions are instructed to use annually issued worldwide, regional, and country-specific guidance in addition to 24 policy papers and determinations and sector strategy and discussion papers. The Liberia mission director stated that instructions and guidance generally exceed the number of pages allowed for a CDSS. A meeting of Africa Bureau Office directors, observing the overwhelming nature of the guidance, described the CDSS as becoming a catch-all for congressional and AID concerns. They noted that the document has been expanded beyond its original intent and capability, given the page limitations. Several mission officials told us that the all-encompassing nature of the guidance poses a dilemma to missions because if they do not address all issues raised in the guidance, regardless of their relevancy to that country, they may be required to submit additional information or to revise the entire document. According to AID officials, this has contributed to missions producing documents that only superficially address the many issues identified in the guidance, making them vulnerable to criticism that they are not specific enough.

CONCLUSIONS

AID's CDSS process is a logical and useful approach to preparing effective country development strategies. The CDSS is intended to be a long-range planning mechanism, covering up to 5 years, and to provide an agreed strategy for AID/Washington to use in reviewing missions' annual budgets and new project proposals. However, the CDSS process had become essentially an annual exercise because AID/Washington requests or the missions felt the necessity to provide new or updated strategies almost yearly. This annual process continued despite the AID Administrator's approval of a 1981 task force recommendation calling for CDSSs to remain in effect for up to 4 years. The task force stated that strategies do not change enough to warrant annual submissions and that scarce management staff time can be saved with less frequent submissions. In our view, annual CDSSs are not necessary because our analysis has shown that in some cases the annual submissions are not made because of dramatic in-country changes in conditions, but rather to accommodate AID/Washington requests for additional information.

Allowing CDSSs to remain in effect for the duration of the planning period would save AID some of the resources currently spent preparing and reviewing strategy statements. An AID task force and mission officials agree that considerable management resources are used in annually preparing and reviewing strategy statements. Less time would be spent on the CDSS process if strategy statements were prepared every 3 to 4 years. The time and resources made available from less frequent submissions could be used to focus and clarify the CDSSs that are submitted for aspects of the management process, i.e., project implementation and evaluation. According to AID guidance, each mission should have an approved strategy before submitting annual budgets and project proposals. The approved CDSS provides AID/Washington the basis against which budgets and projects can be evaluated and reviewed. Our analysis of fiscal year 1985 CDSS reviews for the Africa, Asia, and Latin America and Caribbean Bureaus shows that less than half of the missions received full strategy approval before annual budgets were due. Consequently, AID does not always have the basis to ensure that mission budget and project proposals are consistent with agreed strategy statements.

The difficulty in obtaining strategy approval stems from disagreement between AID/Washington and missions over the CDSS' content, and the all-encompassing nature of strategy guidance. Missions view the CDSS as a long-range planning mechanism describing the country strategy in general terms and allowing flexibility to adapt to changing conditions. AID/Washington believes the CDSS should be more specific and provide measurable benchmarks against which the mission's progress can be gauged. In addition, the CDSS guidance asks missions to address a wide range of issues in the strategy document. Missions believe they must discuss all issues, regardless of relevancy, to obtain CDSS

approval. Clarification of what the CDSS should contain and simpler guidance would facilitate timely strategy approval.

RECOMMENDATION

To reduce the time and effort devoted to the strategy setting and approval process, we recommend that the AID Administrator implement the approved task force recommendation that CDSSs remain in effect for up to 4 years unless changing conditions necessitate a new strategy.

AGENCY COMMENTS AND OUR EVALUATION

In commenting on a draft of this report, AID said it had already adopted our recommendation. Responding to the problem that the CDSS process had become an annual exercise, AID has advised its missions that CDSSs are now only required once every 3 years. While this is an important first step in strengthening AID's planning process, we believe AID's Bureau for Program and Policy Coordination, which has responsibility for the planning and programming process, needs to ensure that AID's regional bureaus implement this new policy in their missions. Our concern about the effective implementation of this recommendation is based on the fact that a similar recommendation made by an AID task force and approved by the Administrator in 1981 was not fully implemented. As described in this chapter, most missions were still submitting CDSSs annually in 1984, 3 years after the Administrator approved a similar recommendation.

In a draft of this report, we also proposed a recommendation that the Administrator clarify strategy guidance to field missions by identifying the relevant contents and levels of specificity needed to facilitate strategy approval. In commenting on the draft report, AID said it had adopted the proposed recommendation. Also, AID provided us with the fiscal year 1987 CDSS guidance, which was considerably clearer and simpler than in prior years. We believe that the new guidance, if followed by the field missions, should facilitate strategy approval. AID also reported that the fiscal year 1987 round of CDSS reviews resulted in approved strategies for nearly all countries. We therefore deleted the proposed recommendation to clarify strategy guidance.

CHAPTER 3

ROLE OF ANNUAL BUDGET SUBMISSION PROCESS IN PLANNING AND PROGRAMMING

AID's annual budget process is designed to request and justify congressional funding for its annual program and to ensure that proposed and ongoing projects are consistent with the agreed strategy. We found that mission preparation and Washington review of annual country budget submissions are primarily concerned with ensuring that established funding levels are met and do not routinely make programming decisions, such as deleting and modifying project proposals that are not entirely consistent with the CDSS or substituting new proposals that are more responsive to AID policies and concerns. New project proposals are not thoroughly examined; and AID officials do not consider projects approved when the Washington review is completed. Pressure to maintain established country funding levels, time constraints of the budgetary process, and lack of detailed project information in the budget document inhibit thorough consideration of programming issues in ABS reviews.

Without fully considering programming decisions as part of the annual budget review process, AID may be missing opportunities to focus and maximize the developmental impact of its country program activities. AID and Congress are concerned that development impact is being diffused because, given the available resources, too many projects are being implemented. Strengthening the program review as part of the ABS process would improve AID's ability to direct and focus individual country assistance programs.

Recent AID actions may strengthen the programming process. The Asia Bureau is experimenting with a "program week," held between the country strategy and ABS review sessions, during which the Bureau will examine mission-prepared work plans presenting activities proposed for the coming year and compare actual results of ongoing activities against stated objectives. Although the Africa and Latin America and Caribbean Bureaus have expressed mixed reactions to the program week concept, they are pursuing ways of improving the current process.

ABS EMPHASIZES BUDGET ISSUES

Although the ABS was originally intended to have a budgeting and programming role, it has been reduced to essentially the information necessary to construct the budget tables required for AID's annual submission to the Office of Management and Budget and its Congressional Presentation. AID officials told us that ABS reviews basically ensure that financial requests are within budgetary guidelines. Although project proposals are considered during reviews, no systematic assessment takes place and missions do not always receive routine feedback from the

reviews. An attempt to strengthen the ABS programming role by including an action plan in the budget submission has not been entirely successful.

ABS primarily a budget exercise

In 1975, AID's Program Planning and Budgeting handbook stated that the ABS plays a critical role in the programming process. Preparing and reviewing the document should result in a comprehensive reassessment of mission programs to ensure that budget proposals are consistent and supportive of the approved multi-year planning strategy. However, over time the ABS has become more financially oriented and has contained less programming information. According to AID/Washington budget officials, the increasing financial focus has been due, in part, to a desire to ensure that AID and congressional budget targets are met. For example, AID is legislatively mandated to channel 12 percent of its development and disaster assistance appropriations through private organizations. AID's fiscal year 1986 budget guidance, issued in April 1984, required that mission submissions be largely tabular, with minimum narrative. The guidance requested missions to submit only information absolutely critical to the preparation of AID's budget submission to the Office of Management and Budget and to Congress.

According to AID budget reviewers, the basic purpose of the ABS exercise is to ensure that country budgets and programs match previously established country funding levels and to provide the Office of Management and Budget with the required tables and information needed to justify and defend AID's budget requests. AID budget officials told us that, although programming issues are raised, reviews do not routinely add, delete, or modify project proposals. According to a Latin America and Caribbean Bureau official, ABS reviews do not thoroughly discuss programming issues and do not endorse or approve project proposals. Another official in this Bureau stated that ABS reviews are capable only of screening out the most obvious mismatches between project proposals and country strategies. Concurring with the officials' assessments, the 1983 Africa Bureau Project Identification Document Task Force concluded that ABS reviews are conducted almost exclusively as budget review exercises, with little substantial examination of proposals. The task force report noted that reviews rarely eliminate project proposals.

In reviewing issue papers prepared for fiscal year 1985 ABS sessions, we noted that the reviews were primarily budget oriented. The issue papers identified topics for discussion, such as loan/grant ratios, operating expenses, staffing levels, and the appropriate mix of appropriation accounts. New project proposals were questioned generally within a budgetary context and not systematically examined. Officials told us that they are reluctant to drop or modify projects during ABS reviews because such actions could affect the country's assistance level.

Mission officials told us that they do not always receive results of ABS reviews. For example, at the time of our visits in April and May 1984, the Kenya, Liberia, and Rwanda missions had not received results from fiscal year 1985 ABS reviews which were conducted in the summer of 1983. Africa Bureau officials told us that missions are not always notified of the ABS review results because of the workload caused by the large number of missions and that results are not final and may be subsequently affected by decisions made by the Department of State or the Office of Management and Budget. Latin America and Caribbean Bureau officials, also citing the heavy budget workload in a compressed period of time, told us that some missions receive feedback but it is not systematic or part of a formalized process. According to several mission project officers, in the absence of reactions to project proposals contained in ABSs, missions may proceed with the costly process of developing Project Identification Documents without knowing AID concerns about the proposal. A Kenya mission project officer described an agricultural project which the mission submitted in an ABS but on which it received no feedback; however, during subsequent project review, AID/Washington requested additional studies, which delayed project development by several months. The design officer told us that had the proposal been thoroughly reviewed in the ABS and the results communicated to the mission, the project design could have initially accommodated AID/Washington's concerns.

ABS action plan to link strategy with program

Starting with fiscal year 1985 submissions, AID now requires missions to submit action plans as part of their annual budgets. The action plan is (1) intended to serve as a bridge between the regional and mission strategies and the operational program proposed in the ABS and (2) designed to link strategies with projects while focusing management attention on program execution and implementation.

The implementation of the action plan as a component of the ABS has not been entirely successful. After one year of experience, the Asia, Africa, and Latin America and Caribbean Bureaus modified their use of the action plan in the fiscal year 1986 submission.

--Asia Bureau deleted the action plan as part of its experiment for improving management relationships with the field.

--Africa Bureau, in an effort to streamline the budget review, separated the plan from the ABS by delaying its due date until October.

--Latin America and Caribbean Bureau, although still requiring that fiscal year 1986 action

plans be submitted, gave the documents limited review.

At the time of our review, officials in AID's Bureau for Program and Policy Coordination were reconsidering the action plan in light of the programming changes taking place within AID, such as the Asia Bureau Experiment.

AID concerned about number of projects

Since ABS reviews do not systematically consider programming decisions, such as deleting or modifying project proposals, AID may be missing opportunities to maximize developmental impact by further focusing program activities. AID is concerned that some country development programs are too diverse, given the limited resources that are available. For example, the Belize program, with a fiscal year 1983 budget of about $17 million, is spread over agriculture, livestock, rural roads, training, construction, health, private enterprise development, and balance-of-payment assistance. Similarly, the Mali program, with a fiscal year budget of only about $10 million, covers crop production, research, livestock, forestry, health, family planning, road construction, Public Law 480, and training and resettlement.

AID has advised field missions to reduce the number of discrete project activities to better concentrate scarce developmental resources. The objective of this management approach is not only to enhance developmental impact by focusing resources but also to reduce the administrative burden posed by many separate project activities. At the January 1984 mission director's conference, Africa Bureau officials cited the need to focus on fewer, simpler, larger, and longer projects; the conference report noted that sharply focused projects, aiming for development impact, should limit sectoral spread and the number of projects.

The House Committee on Appropriations, in its report on the Foreign Assistance and Related Programs Appropriation Bill for fiscal year 1985, also expressed a need for AID to reduce its high cost of overseas management while achieving more effective program implementation. Specifically, the report requested AID to reduce the overall number of different projects in countries to better concentrate resources in selected development areas.

Although it would be difficult to directly correlate the absence of systematic programming reviews to lack of cohesive development programs, strengthening the reviews may improve AID's ability to focus and concentrate its country assistance programs.

Considering programming issues before funds are budgeted and project designs are started would give AID an optimal

decision point to ensure that scarce resources are directed to high priority areas. It would also preclude work on less desirable proposals and enable missions to better incorporate concerns and suggestions during project design.

PREDETERMINED BUDGET LEVELS AND LACK OF TIME AND PROJECT DETAIL LIMIT PROGRAM REVIEW

AID sets approved assistance planning levels for each recipient country in consultation with the State Department. Budget planning levels represent economic and political decisions concerning that country, and missions are required to submit country programs that meet the agreed funding levels. Accordingly, missions are instructed through annual ABS guidance not to submit projects that exceed or fail to meet the predetermined assistance levels. Although missions occasionally submit project funding requests above the established level, ABS reviewers expect budget submissions to match country funding levels, even if the missions are expanding their activities or proposing sensitive projects.

According to ABS reviewers, the pressure to meet established funding levels and the lack of project proposals above the budget limit reduces their flexibility to adjust or modify programs submitted by missions. That is, if a budget review rejects a project proposal and a substitute of similar or equal cost is not readily available, the country budget will not satisfy the previously agreed funding level. A Latin America and Caribbean Bureau official told us that when considering whether to delete a project from the ABS, reviewers must ensure that the funding amount can be shifted to other ongoing activities or that the mission can quickly submit new proposals so as not to jeopardize the country funding level. This official said that although funds can be transferred between missions during the ABS review, such shifts are difficult because of the effect on country funding levels. An Africa Bureau official told us that, all too frequently, the need to support country funding levels overrides programming reviews and decisions during the budgetary review. A January 1984 conference of Africa Bureau mission directors, citing the need to either strengthen or eliminate the ABS, described country funding levels as "sacred" in some cases because of State Department pressure. The conference report noted that the importance of maintaining country funding levels makes programming decisions difficult.

Time constraints

The ABS process consists of a series of firm milestones and dates that must be met to enable the State Department to integrate the ABS into the overall U.S. foreign assistance budget which the Office of Management and Budget review before it is sent to the Congress. AID officials told us that reviewing mission budgets for nearly 70 countries and numerous other AID

offices and regional programs in a relatively short timeframe limits the time and consideration that can be given to each program. For example, the fiscal year 1986 bureau reviews took place between June 1 and July 6, 1984. The burden was particularly heavy for the Africa Bureau, which had over 40 programs to review; it reviewed submissions from Cape Verde, Chad, Gambia, Mauritania, and Upper Volta in one 2-hour session. Reviewers reported that the limited time available generally does not allow extensive programming revisions or requests for additional information from the missions. Furthermore, mission representatives do not routinely attend ABS reviews to defend, clarify, or expand on budget proposals. AID officials told us that mission representation is not required or requested during the ABS review because the review is not intended to include substantive program input from the missions.

Lack of project detail

New project proposals contained in the ABS are usually brief and not sufficiently developed to allow a comprehensive programming review. Within the 2-to-3 page limitation, the narrative presents funding information, summarizes the project's purpose, and briefly describes the problems to be addressed and their relationship to the country strategy and other strategic objectives and policies. According to budget reviewers, more detailed information is contained in the project identification documents and project papers, which are reviewed during their approval cycle.

Mission officials told us that project proposals presented in the ABS are usually not well developed and that project concepts and details frequently change. The 1983 Africa Bureau Project Identification Document Task Force noted that the ABS is generally written too far in advance to accurately describe projects and that it takes from 12 to 18 months after a preliminary project concept is accepted to develop and submit a substantive project document. Often there is little similarity between the ABS proposal and subsequent project documents. Reviewers told us that the preliminary nature of project proposals in the ABS inhibits their ability to screen projects against country strategies and objectives.

ASIA BUREAU EXPERIMENTS WITH IMPROVING PROGRAM REVIEW

In January 1984, the Asia Bureau began experimenting with a program week between the country strategy and ABS reviews as a way of strengthening the overall programming process. During program week, AID/Washington will review mission work plans to assess the progress of ongoing activities and discuss proposed new project activities. Africa and Latin America and Caribbean Bureau officials had mixed reactions to the Asia Bureau's program week; some fully supported the need for a program review

prior to the ABS, while others believed that with certain modifications the existing structure was adequate. Regardless of when the review occurs, AID officials are concerned about minimizing any additional workloads that may result from changes in the programming process.

Program week links strategy with project proposals

Program week is intended to serve as the key link between the CDSS process and the ABS review. Scheduled for the March-April period--after the CDSS and before the ABS reviews--program week will continue the process of placing country strategies into a budgetary format. It will consist of a full week of consultations between AID/Washington officials and mission directors. Missions will prepare and submit work plans prior to program week to serve as the basis for discussions on a wide range of operational and strategic issues and concerns.

The work plan provides the substance for discussing the previous year's activities and proposed programs and projects. In describing mission activity over the last year, the plan compares actual results against operational objectives, identifying any design or implementation problems that may be affecting the program.

Taking into account lessons learned, the plan also presents the mission's objectives for the coming year in measurable or quantifiable terms. The work plan will also contain short narratives on project ideas, including a schedule for submitting project documents and indications of AID/Washington support required.

The review of the work plan during program week will result in AID/Washington and mission agreement on projects that will be undertaken and the progress that ongoing activities should achieve. When there is agreement on project concepts, formal project document approval would be delegated to missions. Agreements reached during program week will be recorded in a memorandum and attached to the ABS, listing the decisions made and the rationale behind them.

With programming issues discussed during the annual program week, the Asia Bureau is formally reducing the ABS' role. Formerly staff-intensive ABS reviews will be eliminated and replaced with small working level meetings, which will focus on budget issues.

Latin America and Caribbean Bureau reaction

The Latin America and Caribbean Bureau is considering moving toward a system which more closely relates strategies with operational and program/budget decisions. The Bureau's

Assistant Administrator, in a memorandum to AID's Deputy Administrator, agreed with the general approach of intensifying AID/Washington's annual review separate from the ABS but was still considering several pros and cons of the concept.

Reacting to the applicability of program week to the Latin America and Caribbean Bureau, the Assistant Administrator stated that the work plan could substitute for the narrative portion of the ABS and that work plan review would be the Bureau's mechanism for providing guidance and questions to the missions before project design was initiated. The Bureau's review of project proposals would (1) disapprove the project concept, or (2) accept the concept and give the mission comments and suggestions for preparing the project identification document, while retaining approval authority in Washington, or (3) accept the project concept and give the mission comments and suggestions for preparing and approving the project identification document. Using this process, the Assistant Administrator favors restricting the ABS document to budget tables and eliminating formal reviews. However, the Assistant Administrator also expressed concern that due to limited time and staff constraints, the Bureau could not schedule a full program week for its 13 major missions every year and suggested that annual 2 or 3 day reviews would be sufficient.

Africa Bureau reaction

The Africa Bureau's Acting Assistant Administrator, also in a memorandum to AID's Deputy Administrator, reported that because of recent improvements in the ABS review process, the Bureau is currently achieving benefits similar to those expected from program week. According to this official, program week does not offer the Bureau much more than it is now getting from the ABS review and, more importantly, the large number of countries in the African region would preclude annual program weeks for even the principal countries.

The Bureau said that it significantly improved its fiscal year 1986 ABS review process by integrating strategy, program budget, management, and staff considerations at each country and regional review. According to the Acting Assistant Administrator, this intensified process included analyzing, prior to reviewing fiscal year 1986 country budgets, the extent to which a mission's strategy, program portfolio and staffing are consistent and responsive to Agency priorities. Also, to focus country-specific activities in as few sectors as possible, portfolios were trimmed through suggested deobligations, new starts were deferred, and projects were disapproved. The Bureau plans to transmit the review results to the missions. It believes that these steps toward better management and program control should improve the implementation process and development impact.

CONCLUSIONS

Although AID's annual budget submission process is intended to have both a programming and budgeting role, it now emphasizes funding concerns and does not extensively consider programming issues. Mission budget submissions generally contain only the information necessary to construct budgets for AID's annual submission to the Office of Management and Budget and to Congress. The lack of project information that would allow deletions, additions, or changes in project proposals inhibits programming considerations during budget reviews. The strategy assessment and programming potential in the annual budgeting process is constrained by (1) the need to ensure that country budgets and programs match previously established country funding levels, (2) a tight time frame of less than 2 months for reviewing the budgets of nearly 70 countries and numerous other AID offices and programs, and (3) a lack of detail in new project proposals contained in the ABS that generally precludes programming changes and assessments of existing strategies. In addition, the review results are not routinely communicated to the missions, making it difficult for the missions to address AID/Washington concerns before submitting project identification documents. The ABS reviews in Washington, therefore, basically serve to ensure that program requests meet the established funding levels and do not systematically assess project proposals or the coherence of approved strategies.

A strengthened programming review before AID's budget is submitted to the Office of Management and Budget should enable AID to maximize development impact by better focusing its country assistance activities. AID and the Congress are concerned that programs are too scattered and diverse, given the limited resources available. Program reviews, in concert with the budgetary process, should improve AID's ability to focus and concentrate country assistance programs and allow more timely decisions which will better ensure that scarce resources are directed to high priority areas.

The Asia Bureau is experimenting with a program week between the CDSS and ABS review. The Africa and Latin America and Caribbean Bureaus, citing a larger number of missions than the Asia Bureau, believe that modifications to the experiment, tailored to their individual requirements, are necessary. Overall, the bureaus agree that a stronger programming review is needed before AID submits its budget to Congress. We believe the existing constraints to an improved programming review process can be overcome and the structure (e.g., program week) each bureau ultimately adopts must consider its number of missions and time resources available.

RECOMMENDATIONS

To build on AID's recent efforts to strengthen its programming review function during the budget process, we recommend that the AID Administrator:

--Encourage missions to submit alternative project proposals, particularly when missions are expanding activities, to give AID flexibility in making programming decisions.

--Request missions to provide sufficient information to enable AID to assess a project's consistency with approved strategies.

--Ensure that ABS review results are promptly communicated to missions for guidance and use in subsequent project design and development.

AGENCY COMMENTS AND OUR EVALUATION

In commenting on a draft of this report, AID said it is considering implementing our recommendation that missions submit alternative project proposals as part of the ABS, even though the Agency believes that to some extent the budget process already forces consideration of alternatives. AID also said that its recently adopted program week will ensure that AID/Washington is better able to assess the consistency of projects with approved strategies and communicate ABS review results to missions.

Although we agree that AID's program week system should provide the framework for a management review linking program and budget decisions, it is too early to assess whether its implementation will strengthen the Agency's programming process. AID's experience with program week has been limited to a few countries in Asia. Also, Agency-wide guidance on the program week process has not yet been developed and issued. The regional bureaus, responsible for implementing program week, are still tailoring the system to meet their individual review requirements. Therefore, we believe AID should follow our recommendations to strengthen the program review function as the program week system is developed and instituted, and as the regional bureaus gain more operational experience using it.

In commenting on our draft report, AID said it could not agree that the ABS process does not result in programming decisions, such as deleting and modifying project proposals. The Agency stated that budget planning levels sent to missions are set above anticipated resource availabilities, thus providing room to delete or modify project proposals. However, we believe, as discussed in this chapter, that the limited information provided on projects, the short time available for budget reviews (2 to 3 countries reviewed in an afternoon), and the financial emphasis of the reviews inhibit systematic programming decisions on new project proposals.

While AID agreed in its comments on our draft report with the need to communicate the results of ABS reviews to the field,

it disagreed that missions are not routinely informed of ABS decisions. AID stated that budget review results are sent to missions for use in preparing the Congressional Presentation. While missions may be advised of funding levels after ABS reviews, they are not routinely provided AID/Washington's reaction to new project proposals. We believe that in addition to funding levels, AID/Washington should communicate to missions preliminary reactions or comments for use in developing project identification documents. Communicating AID/Washington reactions to ABS project proposals would be useful guidance to missions in subsequent project development. AID believes that the program week process will resolve the ABS communication issue.

CHAPTER 4

PROJECT REVIEW AND APPROVAL CYCLE

The project review and approval cycle consists of preparing, reviewing, and approving (1) the project identification document (PID), which presents the project's concept, and (2) the project paper, which presents the project's detailed design and implementation plan. AID has delegated to selected missions the authority to approve project papers for projects up to $20 million, but AID/Washington reviews and approves all PIDs.

AID studies and task force results have criticized the project cycle as time-consuming, staff-intensive, and generally lengthy, consuming scarce staff resources and delaying delivery of assistance to intended recipients. Although AID reduced the project cycle processing time by half between 1978 and 1982, a 1983 Agency task force concluded that AID still devotes too much time to the project identification and design phases of management, while policy, strategy, and program supervision receive much less attention. The ongoing Asia Bureau Experiment, building on the task force recommendations, proposes strict enforcement of existing guidelines for PID preparation and review and authority to approve some PIDs in the field. While we support AID's efforts to further streamline and improve the project review and approval cycle, caution should be exercised in granting missions the authority to approve PIDs. Mission capabilities, AID policy priorities, project complexity, and congressional interest need to be carefully considered.

RESPONSE TO PROJECT CYCLE PROBLEMS

Since the late 1970's, AID task forces and AID-sponsored studies have cited extensive informational demands, the need to respond to congressionally directed special-interest requirements, and an Agency desire to maintain centralized control and decision making as reasons for the project cycle being sluggish and cumbersome. To improve and streamline the cycle, in 1977 AID formally eliminated the preliminary review paper to reduce AID/Washington staff involvement and shorten the review process. AID/Washington participation was further reduced by excluding the Bureau for Program and Policy Coordination from project reviews involving less than $2 million. A major step toward decentralizing the project cycle occurred in 1981 when selected mission directors were given authority to approve project papers for activities up to $20 million, a $10-million increase. At the same time, selected missions were granted the authority to amend existing projects up to 100 percent of the original authorization, to a maximum of $10 million.

These and other changes have shortened the project development cycle. A 1982 internal AID study showed that processing time for approval of PIDs and project papers had been cut by more than one-half since 1978. PID review and approval time

declined from 70 to less than 30 days and project paper processing time was reduced from 120 to about 40 days. It should be noted that these statistics reflect only AID/Washington review and approval, not the time the missions take to develop the project documents.

Despite these improvements, a 1983 AID Task Force on Implementation found that many project implementation problems could be traced to less than effective PID reviews by AID/Washington. Specifically, the task force concluded that PID review and approval procedures as outlined in Agency guidelines were not being followed, resulting in reviews that were not always constructive. The purpose of a PID review is to ensure that the proposed project's concept is consistent with AID policy and the country's approved CDSS and to raise issues and concerns that should be addressed in the project paper. Instead, the task force found that PID reviews rarely raised new issues and that AID/Washington comments and recommendations often dealt with feasibility issues better left to the missions or reserved for the project paper.

The task force attributed many PID problems to the 1981 increase in mission authority to approve project papers. Since AID/Washington no longer reviews all project papers, management attention and scrutiny has shifted to the PIDs. Missions, responding to the more strenuous review, began submitting longer and more detailed PIDs. Consequently, the PID has grown beyond its original function as a project concept and identification document. To correct this problem, the task force proposed adherence to existing AID project assistance guidelines, which limit the PID to 15 pages and its content to the project concept, leaving feasibility analysis and technical details to the project paper. The task force recommended that PID reviews be limited to ensuring project consistency with policy/strategy guidelines, providing guidance to missions on "lessons learned" from other projects, and developing a timetable for final project development. It also recommended that selected missions be granted authority to approve PIDs for projects up to $5 million. These recommendations are being tested as part of the Asia Bureau Experiment.

GAO CONFIRMS TASK FORCE CONCLUSIONS

We examined recently prepared PIDs at the seven missions we visited and confirmed many of the task force conclusions regarding PID length and content. Missions attribute these problems to AID/Washington's requests for information beyond the scope of a project identification document. Nevertheless, mission officials agree that existing project cycle guidance is adequate and its enforcement would streamline the review and approval process.

At the seven missions, we examined 58 PIDs submitted to AID/Washington since 1980 and found that 48, or 83 percent, exceeded the 15-page limit suggested in the guidelines. Some

PIDs exceeded the page limit by only a few pages, but others were 50 pages or more. For example, the Indonesia mission submitted 17 PIDs from 1980 to June 1984 ranging in length from 4 to 34 pages, with 9 exceeding the 15-page guidance. Project development officials in the mission said that many documents were too long because a PID adhering strictly to the guidelines would not satisfy AID/Washington's criteria for approval. Project development officers in Kenya and Liberia told us that if a mission submitted a 15-page document, AID/Washington would almost certainly request additional information before granting approval.

AID project assistance guidelines state that the PID's purpose is to present a project proposal and identify issues that will be fully developed in the project paper. The PID should briefly relate the project proposal to the approved country strategy and may discuss but should not fully develop such factors as policy issues, economic and social considerations, and lessons learned from other similar projects. However, we found that some PIDs contained detailed information which exceeded these guidelines. For example, in 1981 the Dominican Republic mission submitted an $18.5-million energy conservation PID which was 56 pages long, including 17 pages devoted to just describing the various project activities and 11 pages of economic assessment. A 47-page 1982 Kenya mission PID, which proposed a rural private enterprise project, contained 13 pages of project analyses. The project development officer in the Kenya mission agreed that the detail exceeded existing guidance but said that if the mission did not present this information AID/Washington reviewers might not approve the PID and would probably request additional information at the PID review.

Despite these problems in preparation and review, mission officials agreed that the AID's guidelines for PID preparation and review are adequate and should be followed by missions and AID/Washington. According to project officials in Kenya, Liberia, and Rwanda, enforcing the project assistance guidelines would shorten the time required for document processing and improve the quality of project design. Illustrating the adequacy of existing guidelines, the Bangladesh mission in February 1984 submitted, and AID/Washington approved, a 15-page food for work PID which was limited to presenting the project concept. An Indonesia mission private sector management PID was submitted in January 1984 which, according to a reviewing official, adequately presented the required information within 15 pages and was unconditionally approved in February 1984.

AID/Washington officials responsible for reviewing PIDs in the Africa and Latin America and Caribbean Bureaus agreed that existing AID guidelines were adequate and if followed would shorten and streamline the document and its review. These officials stated that the mission and AID/Washington need to exercise greater discipline in adhering to the guidelines when preparing and reviewing PIDs.

ASIA BUREAU EXPERIMENTS WITH PROJECT CYCLE IMPROVEMENTS

The Asia Bureau, as part of its experiment to improve the Agency's management process, is testing ways of improving and streamlining the project cycle. Building on the task force's findings, the experiment directs missions and AID/Washington to prepare and review PIDs which follow existing AID project assistance guidelines. The experiment, agreeing with the task force conclusion that AID/Washington does not need to review all PIDs, also includes limited delegation of PID approval authority. The successful components of the Asia Bureau Experiment will be applied to the other bureaus.

The seven missions we visited agreed that existing guidelines on PID preparation and review are adequate. In several missions, officials said that following the guidelines more closely would improve and streamline the project cycle. However, the African and Latin American missions were reluctant to accept PID approval authority, stating that if review guidelines are properly followed, AID/Washington would have a constructive role in PID reviews by raising relevant policy issues and matters of congressional interest that the missions may not be aware of. In addition, Kenya, Liberia, and Rwanda mission officials stated that they do not always have the staff resources and technical expertise to review PIDs. The Indonesia and Bangladesh missions told us that they possess the technical expertise to review and approve PIDs, at least on a selected basis, but that mission PID approval should be preceded by some discussion of the project during either the CDSS review or program week.

Africa and Latin America and Caribbean Bureau officials are cautious about the idea of delegating PID approval authority to missions. The Acting Assistant Administrator for the Africa Bureau stated that PID approval authority should not be granted until the Bureau gains more experience with existing mission authority. A project development official noted that, in many cases, missions lack the technical capability to review PIDs, are not able to effectively consider overall Agency policy implications, and do not possess sufficient knowledge of congressional interest. The Assistant Administrator for Latin America and the Caribbean, while considering delegating PID approval authority, is also concerned about limited mission capabilities and the need for an Agency-wide policy perspective as part of the review.

CONCLUSIONS

In recent years, AID has taken action to improve and streamline its project review and approval process. Although these actions, which include reducing required documentation and delegating greater decision-making authority to missions, have shortened the project cycle, a 1983 AID task force identified

the preparation and review of PID's as an area where further improvements are possible. Building upon the task force recommendations, the Asia Bureau is experimenting with changes to the project cycle. Specifically, the experiment calls for a stricter enforcement of existing Agency guidelines in preparing and reviewing PID documents and delegating limited PID approval authority to missions.

Our review of project documents at the seven missions confirmed the task force conclusions regarding PID length and content. Despite the problems, mission and AID/Washington officials agree that existing project assistance guidelines are adequate if followed and enforced. Recent PIDs submitted under the Asia Bureau Experiment demonstrated that documents conforming to the guidelines' length and content provisions can be reviewed in a timely manner without requests for additional information.

We support AID's efforts to further improve and streamline the project cycle. However, in applying the successful components of the Asia Bureau Experiment to other bureaus as planned, we urge AID to use caution in delegating to missions the authority to approve PIDs. Our work showed that Africa and Latin America and Caribbean Bureau and mission officials were reluctant to fully endorse granting this additional authority because of the benefits they derived from having an AID/Washington perspective and because of the limited technical expertise available at some missions. The missions we visited in Africa and Latin America believe they do not have the necessary technical expertise or policy insight to perform effective PID reviews leading to project approval. They also said that AID/Washington is better informed on matters of congressional interest and emerging policy issues--important factors in project approval decisions.

RECOMMENDATION

To further improve the project review and approval cycle, we recommend that the AID Administrator apply the successful project review components of the Asia Bureau Experiment to other regional bureaus and missions on a case-by-case basis, while recognizing the varying capabilities of missions to exercise increased project approval authority.

AGENCY COMMENTS AND OUR EVALUATION

AID agrees with the recommendation and said in its comments on our draft report that it has decided to apply the successful project review components of the Asia experiment Agency-wide. AID also agrees with our conclusion that caution must be exercised in granting missions authority to approve PIDs and that mission capabilities, Agency policy priorities, project complexity, and congressional interest must be carefully considered. However, AID believes that many PIDs can be approved in the field without jeopardizing these important interests and intends to press the delegation of PID approval authority.

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

MAY 8 1985

ASSISTANT
ADMINISTRATOR

Mr. Frank C. Conahan
Director, National Security and
International Affairs Division
General Accounting Office
Room 4804
441 G Street, Northwest
Washington, D.C. 20548

Dear Mr. Conahan:

Enclosed are A.I.D.'s comments on GAO Draft Report 472040, "A.I.D.'s Foreign Economic Assistance Planning and Programming Process Can Be Improved." Also enclosed are instructions on revisions to the programming process which are germane to this report. The cable from the Administrator and the memorandum from the Deputy Administrator illustrate Agency-wide guidance, while the Near East and Latin America memoranda illustrate guidance from individual bureaus to their field missions.

If you have any questions or would like to discuss these comments, please contact Ler Rogers, 632-0773.

Sincerely,

Richard A. Derham
Program and Policy Coordination

Enclosures: As stated

GAO note: The page number references in the left margin have been added to correspond to the page numbers in the final report.

APPENDIX I

AID's Comments
GAO Draft Report 472040
"AID's Foreign Economic Assistance Planning
and Programming Process Can Be Improved"

AID agrees with most of the conclusions and recommendations included in this report. As GAO notes, the Agency was in the midst of an extensive review of its programming system at the time this audit was conducted. Following that review, senior Agency management approved a major revision to AID's planning and programming process. The main features of this systems redesign closely parallel GAO's recommendations. (See attached cable of 12/5/85 from the AID Administrator to all field posts. Also see the attached memorandum of 4/12/85 from the Deputy Administrator to AID Executive Staff).

Since AID had already incorporated most of GAO's recommendations prior to receipt of this draft, AID believes the final report should acknowledge these changes. This could be accomplished as follows:

1. The title of the report should be changed to: "AID's Foreign Economic Assistance Planning and Programming Process, Improvements Are Being Made." AID's programming process must respond to changing requirements in the developing countries and to constantly evolving needs of senior managers, so improvements must be made often. Changing the title as recommended would indicate that AID is on top of this dynamic process.

2. The Digest, at least, should state that the Agency has already adopted many of the revisions suggested by the "Asia Experiment" as GAO recommended in the body of the draft report.

3. The Digest should also recognize the general merits of AID's programming system, as strengthened by revisions resulting from the Asia Experiment. This could be accomplished by including the observation on pg. 16 of the draft that AID officials in all seven missions GAO reviewed said the CDSS is a useful programming tool. GAO's own conclusion on pg. 28 that the CDSS process is a logical and useful approach to preparing effective country development strategies should also be included in the Digest.

p. 8

p. 15

The following comments are organized according to recommendations in each of the major sections of the draft report.

Introduction:

p. 3 pg. 6: OMB does not participate in setting nor does OMB clear AID's planning levels which are sent to the field prior to preparation of ABS's. Reference to OMB should be
p. 21 deleted. (also pg. 40)

Need to Improve Country Strategy Setting and Review Process:

p. 8 pg. 15: Since most of the conclusions and recommendations in this section have already been adopted by AID, the "Need to Improve" language in the heading should be deleted.

p. 16 pg. 31: The GAO recommendation on the length of time CDSS's should remain in effect has been accepted.

The attached cable indicates CDSS's will be required only once every three years. The report should also note that following the most recent round of CDSS reviews, AID has approved CDSS's for nearly all countries.

p. 16 pg. 31: The GAO proposal that strategy guidance be clarified was adopted in the FY 87 CDSS guidance, which has been simplified considerably and which emphasizes country - specific guidance in order to facilitate strategy approval.

Role of Annual Budget Submission Process in Planning and Programming:

p. 17 pg. 32: AID cannot agree that the ABS process does not result in decisions such as deleting and modifying project proposals. The Approved Assistance Planning Levels, which AID sends to the field as budget guidance, are in total set above anticipated resource availabilities. This provides room to delete or modify projects. AID's Africa Bureau especially has used the ABS process to modify or eliminate project proposals.

p. 19 pg. 36: AID also cannot agree that missions are not routinely informed of ABS decisions. In fact, once the ABS process is complete, missions begin to work on preparation of the Congressional Presentation, which is based on the results of the ABS reviews. At the latest, missions are advised in September of each year of their planning levels for the Congressional Presentation. Thus it is inconceivable that missions in Kenya, Liberia and Rwanda were unaware of the results of the ABS reviews as late as April of the next year. For the FY 1985 CP, African posts were advised of levels at least informally prior to September; and last year all African posts received reporting cables on FY 1986 ABS reviews in July.

p. 25 pg. 50: Even if the two points noted immediately above were a significant problem, "program week" would resolve these issues. AID has now adopted a program week, tailored to the special needs of each of its bureaus, which will greatly strengthen the link among strategies, project development and the budget process. Since mission personnel will participate in program reviews, there will be immediate feedback on AID/W decisions.

pp. 25, 26 pg. 50: AID will consider implementing GAO's recommendation that missions submit alternative project proposals. To some extent, the budget process already forces consideration of alternatives, but review of a wider range of project proposals may prove desirable. The problem would be to manage the process so it does not result in unproductive additional work for the field.

pp. 25, 26 pg. 50: The program week system should ensure AID/Washington is better able to assess a project's consistency with approved strategies, as recommended by GAO.

pp. 25, 26 pg. 50: AID accepts the need to communicate the results of ABS and other reviews to the field. Reporting cables are an explicit part of each bureau's program week.

Project Review and Approval Cycle

p. 28 pg. 52: AID agrees with GAO that caution must be exercised in granting missions authority to approve PID's. Mission capabilities, Agency policy priorities, project complexity and congressional interest certainly need to be carefully considered. However, AID believes many PID's can be approved in the field without jeopardizing these important interests, and AID intends to press the delegation of PID approval authority. For those PID's which are submitted for AID/W approval, we will enforce the 15 page limit, and have developed a system for reporting to the Deputy Administrator any PID's which exceed this length. Furthermore, the revised programming system provides for periodic assessments of all missions, so AID/W will have a better understanding of field capacity.

p. 32 pg. 61: AID agrees with GAO and has already decided to apply the successful project review components of the Asia Experiment Agency-wide.

In summary, AID and GAO apparently reached the same conclusion about the Asia Experiment: it was a success which should be applied Agency-wide. Last fall, AID acted independently to overhaul its programming system and is now implementing the resulting new procedures. GAO's recommendations in the draft report closely parallel AID's new system. We will be pleased to report on the progress made under the new system and would welcome GAO's future recommendations for improvement.

(472040)